

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6037

BILL NUMBER: HB 1139

NOTE PREPARED: Nov 9, 2005

BILL AMENDED:

SUBJECT: Property Tax Late Payment Penalty.

FIRST AUTHOR: Rep. Leonard

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill reduces the late payment penalty from 10% to 5% for property taxes fully paid not later than 90 days after the due date.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: IC 6-1.1-37-10 provides that if an installment of property taxes is not completely paid on or before the due date, a 10% penalty is added to the unpaid portion in the year of the initial delinquency. The proposal provides that if payment of an installment of property taxes is made after the due date and before the date that succeeds the due date by 90 days, the penalty is 5% of the amount of delinquent taxes. The proposal applies only to property taxes first payable after December 31, 2006.

Counties may experience an increase in administrative costs associated with applying a reduced percentage for penalties. However, it is expected that counties should be able to pay for any additional administrative costs resulting from the reduction given their current level of resources and budgets.

Explanation of Local Revenues: The bill reduces the existing penalties assessed late property tax payments from 10% to 5% of taxes owed if payment is made within certain time frames. This provision will reduce the amount of revenue collected for late payment penalties. Property tax penalties for 2005 that would have been

effected had the provision been in place in 2005 equaled \$36 M. If all of this amount qualified for the reduction, reducing the penalty to 5% would result in a estimated revenue decrease of \$18 M.

Penalties collected are credited to the appropriate taxing units and are distributed in the same manner as other property taxes—based on a unit’s levy as a proportion of all levies within the taxing district.

State Agencies Affected:

Local Agencies Affected: County treasurers and local taxing districts.

Information Sources: Local Government Database.

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